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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
To: Code of Conduct Group (Business Taxation)
Subject: Costa Rica
- Final description and assessment

FINAL DESCRIPTION AND ASSESSMENT

At its annual meeting on 15 and 16 November 2021, the Forum on Harmful Tax Practices (FHTP) discussed Costa Rica's preferential tax regime and requested Costa Rica to make further amendments to the Free trade zone regime. Costa Rica provided a commitment letter to reform the regime in line with the FHTP's request.

This commitment to the FHTP was also taken before the Code of Conduct Group in a letter dated 6 January 2022, after which Costa Rica was added to Annex II of the Council Conclusions on the revised EU list of non-cooperative jurisdictions for tax purposes pending the completion of this commitment by the end of 2022.

At its April 2022 meeting, the FHTP decided to consider Costa Rica's Free trade zone regime 'amended – not harmful', subject to formal adoption of the necessary legislative changes and their publication in the official gazette. In its conclusion, the FHTP also noted that substance requirements for non-IP activities are in place with no grandfathering, in line with the standard. Costa Rica adopted and published the amending legislation soon after, in May 2022.

On 2 June 2022, the Code of Conduct Group agreed to remove the reference to the preferential tax regime of Costa Rica from Annex II. This recommendation was endorsed by the Council on 4 October 2022.
